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**TESTIMONY OF ENE (ENVIRONMENT NORTHEAST)
TO THE ENERGY AND TECHNOLOGY COMMITTEE
S.B. 1 AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE**

March 15, 2011

Good afternoon Senator Fonfara, Representative Nardello and members of the committee. My name is Jessie Stratton and I am Director of Government Relations for ENE (Environment Northeast), a non-profit research and advocacy organization that focuses on energy, air quality and climate change solutions for New England and Eastern Canada. ENE appreciates the opportunity to provide testimony to the Environment Committee on *S.B. 1 AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE*.

ENE supports many of the bill's provisions, particularly those that address establishment of the new Department of Energy and Environmental Protection and assigning it overall responsibility for state energy planning and oversight. The interplay between, and profound impact of, how Connecticut meets its energy needs and its ability to also achieve the State's environmental standards supports the logic of merging these critical responsibilities. The broader economic implications of both energy and environmental policy decisions also support addressing them together in order to maximize economic benefits to the State.

Before commenting on sections of the bill that reassign existing responsibilities of the Office of Policy and Management and the DPUC to the new Department of Energy and Environment as well as other more general energy policy provision, we want to voice our strong opposition to Section 8 which changes the definition of Class I renewable resources to include all hydro resources. When we established the RPS in 1998, it was designed to enable the financing and construction of energy resources that could not economically compete with the more traditional energy sources that also had negative environmental attributes.

Allowing large, utility-scale hydro facilities to qualify under the RPS would flood the REC market and undermine financing opportunities for traditional renewables, stifle development of a vibrant local renewable energy economy, and result in Connecticut ratepayers paying a price premium for power that is fully established and cost competitive. We urge the Committee to delete this provision and instead focus on crafting policy that will direct the new DEEP Commissioner to work with the utilities and others in the region to negotiate long term contracts for sources that qualify under the existing RPS. To the extent practicable, those contracts should be for both the energy and environmental attributes (RECs) in order to help provide ratepayers a hedge against rising fossil fuel prices – even if the energy is then resold into the market. In addition, DEEP should actively engage in ISO New England proceedings to identify and site only the appropriate level of transmission needed to deliver wind and other renewable resources.

Section 9 preserves the Governor's existing authority to name commissioners for the Public Utility Control Authority. Given that this Authority will now be under the new DEEP, we would suggest that the DEEP Commissioner name the Authority's commissioners or at least the Chair of the Authority.

Sections 10 and 12 of the bill reassign specific responsibilities and functions of the current DPUC and Siting Council to the new Department of Energy and Environmental Protection. While the proposed new Public Utilities Control authority would be a bureau within that department and therefore the Commissioner would presumably delegate these responsibilities to those divisions, we would suggest that they be statutorily assigned to the Authority and Council respectively to eliminate any appearance of conflict between the DEEP agency's policy making function and the more mechanical oversight of its implementation.

The bill (Section 13) also changes the make-up of the Connecticut Energy Advisory Board. ENE would suggest that the Energy and Technology Committee work with Environment Committee, the Administration and new DEEP Commissioner to more comprehensively revise the mission and operations of the CEAB. Given DEEP's broad responsibilities regarding energy policy, the CEAB should be fashioned to avoid duplication, but to ensure wider stakeholder input into the review of the energy plan, or IRP, developed by the DEEP. Jumping to Section 48 of the bill, we believe that such plan should expressly include all fuels and be developed in consultation with the utilities and other state agencies, particularly the Departments of Transportation and Economic and Community Development. Further, given the comprehensive planning responsibilities assigned to DEEP, we believe that the DEEP rather than the CEAB, should represent the State in regional energy planning processes (Section 16a-3(b)).

We would suggest rewriting Section 21 of the bill to direct the DEEP Commissioner to adopt energy, environmental and siting standards for any state funded construction that are consistent with elements of LEED or Golden Globe and to further charge the Commissioner, in consultation with the Department of Public Safety, with responsibility for updating the energy portion of the state building code (all non state-funded buildings) not less than every three years.

Section 33 of the bill once again seeks to do away with the incredibly valuable assessment and reporting function the Council on Environmental Quality has so successfully carried out for 40 years. While every state agency should be evaluating its performance and highlighting areas that need to be addressed, the independence of the Council's small staff and impressive volunteer Board have resulted in a breadth of analyses and a long range perspective that have frequently provided the impetus for many executive or legislative initiatives. The Council's independence has also been critical to its investigation of State agencies conformance with environmental requirements. The Council's annual reports on the state of Connecticut's environment have long served to focus attention on time sensitive or neglected areas and to open the door to making reforms that could better serve achieving the state's environmental interests. While we support each of the criteria that Section 32 of the bill adds for consideration in setting state energy policy, we think that the entire section should be expanded to specifically embrace natural gas, and non-regulated heating fuels as well as electricity when referring to energy. We strongly support the Section's emphasis on efficiency, but would also suggest adding to the renewable energy subdivision (14) "in a manner that provides consumers with a hedge against rising fossil fuel prices and that considers non-transmission alternatives".

In Section 46, we would recommend that the PUCA be further directed to fund a level of investment for regulated fuels approved in the IRP and that is consistent with the all cost-effective provisions of 16a-3a(c). We concur that the CL&M Plan should be developed by the Board and utilities in conjunction with the DEEP. The Commissioner should be charged with final approval of the plan and the Authority role should be limited to evaluating programs for cost-effectiveness.

We also support moving the CT Clean Energy Fund under the administration of the DEEP (Section 47) in order to facilitate coordination and integration of its programs with overall state energy policy, provided that some of its functions would need to be continued under the auspices of a quasi-public entity.

While we concur with Section 49's inclusion of other specifics to be addressed in the IRP, we again urge the committee to expand the overall scope of the IRP to include all generation and heating fuels and to focus on total energy costs as in done in some sections of the bill, rather than price alone. Analysis of costs and benefits should include broader economic benefits and avoided costs associated with particular planning scenarios.

As stated in our earlier comments opposing the inclusion of large scale hydro a Class I renewable, ENE supports reasonable incentives that help finance and deploy large and small scale renewable resources. We would therefore oppose the proposed 15 year term for production based payments for 1 -71/2 MW solar projects and instead spread those payments out over 25 years to lower the annualized cost to a more reasonable amount.

Similarly, while we do believe that the utilities should be more involved in contracting for renewable energy, we do not support broad authority for the them to build large scale renewable generation on a cost of service basis as proposed in Section 61(e), because such incentivizes maximizing the size of the capital investment rather than providing renewable energy at the lowest cost. We would, however, support utility ownership and RPS contracting if done within a construct that provided for the following:

- Directing the DPUC to open a planning docket to evaluate RPS needs and options for long-term contracting on behalf of all ratepayers and to determine how much of the incremental RPS increases the utilities should contract for;
- Once determined, have the DPUC issue a RFP for that amount that would be open to the utilities as well as to others;
- Up to the incremental RPS requirement in a given year could then be owned/contracted for on behalf of all ratepayers and costs could be recovered using a non-bypassable charge reviewed by the DPUC
- The RPS obligation of all of the load serving entities operating in the state would then be reduced in proportion to the amount of those contracts
- The contracting process should give preference to ones that include energy and attributes (RECs) as they provide a hedge against rising energy costs, even if the energy is then resold into the spot market
- The utilities as well as other entities would be allowed to propose projects
- Each should then be evaluated on a common net-present value or \$/MWh basis that compares utility rate basing to competitive supplier options
- Any utility ownership structure or contract proposal that is not a fixed \$/MWh contract, should be structured in a manner that aligns utility incentives with maximizing delivery of renewable energy at a reasonable cost.

We support the goal of Section 77 but believe that such plans to reduce state agency energy costs should be done in conjunction with the proposed new Bureau of State Facilities in the DEEP rather than with OPM. One might also add an incentive to exceed the 10% reduction in

consumption by allowing the agency to keep additional savings to fund predetermined specific projects or initiatives.

Finally, we applaud your proposed repeal of the diversion of ratepayer funding included in Section 139 of PA 10-179 and would be pleased to work with you and others to accomplish the goal of Section 94 as well as to advance a more cohesive and sustainable energy policy for the State.

Thank you for the opportunity to testify.

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